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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
)	
DELPHI CORPORATION, <i>et al.</i> ,)	Case No. 05-44481 (RDD)
)	
Debtors.)	
)	Jointly Administered
)	

**RESPONSE OF LATHAM & WATKINS LLP TO THE SUPPLEMENTAL REPORT OF
THE DELPHI JOINT FEE REVIEW COMMITTEE**

Latham & Watkins LLP (“Latham”), counsel to the Official Committee of Unsecured Creditors (the “Committee”) appointed in the chapter 11 cases of Delphi Corporation (“Delphi”) and certain of its affiliates (collectively, the “Debtors”), hereby submits this Response (the “Response”) to the Supplemental Report of the Delphi Joint Fee Review Committee Regarding Applications for Award of Compensation and Reimbursement of Expenses for the Periods from October 8, 2006 through January 31, 2006 and February 1 through May 31, 2006 (the “Supplemental Fee Report”) filed by the Delphi Joint Fee Review Committee appointed in these cases (the “Fee Committee”) on November 28, 2006. In support of this Response, Latham respectfully states as follows:

BACKGROUND

1. On October 8, 2005 (the “Petition Date”), thirty-nine of the Debtors filed with this Court voluntary petitions for relief under chapter 11 of Title 11 of the United States Code, as amended (the “Bankruptcy Code”). On October 14, 2005, three additional Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code. The Debtors are continuing in possession of their property and are operating their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. The Committee was appointed in these cases by the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”) on October 17, 2005.¹

3. On November 17, 2005, the Committee filed that certain Application of the Official Committee of Unsecured Creditors for Order Authorizing and Approving the Employment and Retention of Latham & Watkins LLP as Counsel, *nunc pro tunc* to October 17, 2005 (the “Retention Application”). On January 6, 2006, this Court entered its Final Order approving the retention of Latham, *nunc pro tunc* to October 17, 2005.

4. On May 5, 2006, the Fee Committee was appointed in these cases to conduct a limited review of professional fee requests, and to report its findings to the Court.

5. On May 31, 2006, Latham filed its first interim fee application covering the period from the October 17, 2005 through January 31, 2006. On July 31, 2006, Latham filed its second interim fee application covering the period from February 1, 2006 through May 31, 2006.

¹ The following members were originally appointed to the Committee: (a) Capital Research and Management Company; (b) Electronic Data Systems Corp.; (c) Flextronics International Asia-Pacific, Ltd.; (d) Freescale Semiconductor, Inc.; (e) General Electric Company; (f) IUE-CWA and (g) Wilmington Trust Company, as Indenture Trustee. Flextronics International Asia-Pacific, Ltd., has since resigned from the Committee and has been replaced with Tyco Electronics Corporation. In addition, the Pension Benefit Guaranty Corporation and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America have been added as *ex officio* members of the Committee.

6. On July 13, 2006 this Court entered an Order scheduling a hearing on October 19, 2006, to consider all pending fee applications for interim or final Court approval of compensation and reimbursement of expenses. On October 13, 2006 this Court entered an Order rescheduling the hearing on all pending fee applications for November 30, 2006.

7. On November 15, 2006, the Fee Committee filed its Report of the Delphi Joint Fee Review Committee Regarding Applications for Award of Compensation and Reimbursement of Expenses for the Periods from October 8, 2005 through January 31, 2006 and February 1 Through May 31, 2006 (the “Initial Fee Report”). On November 28, 2006, the Fee Committee filed its Supplemental Fee Report.

8. Both the Initial Fee Report and Supplemental Fee Report request that no further fee holdbacks be paid to retained professionals until the conclusion of these cases. Latham is filing this Response to address the Fee Committee’s position with respect to outstanding fee holdback amounts owing to professionals, including Latham.

RESPONSE

9. Although similar positions to that of the Fee Committee have been advanced in other cases in this jurisdiction with varying results, it is certainly not “Southern District of New York practice,” as the Fee Committee asserts, to uniformly withhold the payment of fee holdbacks to professionals until the conclusion of chapter 11 cases. Where such orders have been issued by Bankruptcy Courts in this jurisdiction, they have been based on a consideration of the facts of each case.

10. The facts of these cases clearly do not warrant a prohibition of further payment of holdback amounts to retained professionals.

11. As this Court is aware, these cases are progressing very quickly and efficiently given their complexity. There has been no indication whatsoever that these cases are or may become administratively insolvent. Without the risk of administrative insolvency, and in light of the progression of these cases to date, there is no justification for refusing to release holdback amounts to retained professionals.

12. It would be unfair to force professionals, who have been working diligently to resolve the complex and sundry issues in these cases, to await payment of the very significant amounts owed to them. For example, Latham is currently owed \$845,288.25 in holdback amounts with respect to only its first interim fee application and second interim fee application. Even if these amounts were paid in full, as Latham hereby requests, the Debtors would continue to hold \$802,237.20 in additional holdback amounts pursuant to Latham's fee statements for the months of June through October. Thus, the Debtors' estates continue to be adequately protected by holdback amounts owing to professionals under the standard procedures already established in these cases, and there is no reason to require the financing of these cases by professionals as requested by the Fee Committee.

13. For the reasons set forth above, the Fee Committee's request should be denied, and the professionals in these cases should be allowed prompt payment of (i) all holdback amounts owing to them with respect to their pending fee applications scheduled for hearing on November 30, 2006, and (ii) all future holdback amounts, subject to allowance of future interim fee applications.

RESERVATION OF RIGHTS

14. Latham reserves the right to respond to any additional recommendations or issues raised in any future reports or statements by Legal Cost Control (serving as fee auditor in these cases) or the Fee Committee should such a response be deemed necessary or appropriate.

WHEREFORE, Latham respectfully requests that this Court enter an Order: (i) approving prompt payment of any unpaid amounts, including any unpaid holdback amounts, owing to Latham under its first and second interim fee applications; and (ii) granting such other relief as is just and proper.

Dated: November 29, 2006
New York, New York

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